

This Report will be made public on 27 November 2023

Report Number **C/23/61**

To: Finance & Performance Sub-Committee
Date: 5th December 2023
Status: Key Decision
Responsible Officer: Rod Lean – Chief Officer, Place & Growth
Andy Blaszkowicz – Director, Housing & Operations
Cabinet Member: Councillor Speakman – Cabinet Member, Assets & Operations

SUBJECT: Options Report on whether to continue to maintain Kent County Council (KCC) owned grass in the District, which is subsidised by Folkestone & Hythe District Council (FHDC)

Finance & Performance Sub-Committee are asked to review and note the Cabinet report below that will be presented to Cabinet on 13th December 2023.

SUMMARY: This report outlines the current arrangement with Kent County Council (KCC) to maintain rural and urban verges and the financial implications of this for Folkestone & Hythe District Council (FHDC). Various options are outlined in the report for consideration to reduce budgets in line with the Star Chamber exercise.

REASONS FOR RECOMMENDATIONS:

To reduce the grounds maintenance budget, to help the council meet its overall financial deficit as per the star chamber exercise.

RECOMMENDATIONS:

1. To receive and note report C/23/61.
2. To note the options detailed in section 5 of the report;

Option 1: Continue to maintain all KCC Highways grass in the District to the current specification (up to 10 cuts per year for urban grass verges and two cuts per year for rural verges) and enter into a new contract with KCC Highways.

Option 2: Continue to maintain all urban grass verges (inner 30mph areas) but hand back the rural verge mowing to KCC Highways.

Option 2a: Continue providing both the urban and rural maintenance service to KCC but reduce the rural swathe cut to the required KCC frequency of 1 rather than the 2 cuts that FHDC currently provide.

Option 3: Cease cutting all KCC Highways grass in the District and hand the service back to KCC.

Option 4: Hand back all of the KCC highways work in the District, but retain some key high profile elements to maintain the appearance of the district in line with our corporate objectives.

Option 5: Deferment of a decision with further consideration to be given to handing back the KCC contract in 12 months for the 25/26 financial year.

- 3. To approve Option 2a - Continue providing both the urban and rural maintenance service to KCC but reduce the rural swathe cut to the required KCC frequency of 1 rather than the 2 cuts that FHDC currently provide. (To note that this is recommended for a period of 12 months whilst option 5 is further explored.)**
- 4. To approve Option 5 - Deferment of a decision with further consideration to be given to handing back the KCC contract in 12 months for the 25/26 financial year.**
- 5. Should Options 2a and 5 be approved, to delegate authority to the Director of Housing and Operations to work with KCC colleagues to transfer the service back to KCC ready for the 25/26 financial year.**
- 6. Following approval of Options 2a and 5, should Cabinet be minded to explore option 4 and consider retaining some high profile areas to enhance the appearance of the district further work will need to be carried out by officers and a further report will be presented to Cabinet in due course.**

1. BACKGROUND

- 1.1 FHDC is currently reviewing the financial position of the council as part of the Star Chamber process and is looking to make efficiency savings where possible. Therefore officers are looking at the KCC verge mowing contract, which whilst part funded by KCC is subsidised by FHDC, which could potentially result in savings for the authority if handed back to KCC.
- 1.2 FHDC grounds maintenance department currently undertakes all highway verge mowing across the district under contract to Kent County Council Highway Services (KHS). Under this contract we carry out the mowing of all urban highway verges, rural highway verges, visibility and swathe cuts and undertake the annual maintenance of shrubs and hedges.
- 1.3 Approximately 342,600m² of grass is maintained under a Service Level Agreement (SLA) that requires highway verges to be cut at a frequency of six times per year between March and November (approximately one cut every six weeks). FHDC currently enhances this service with up to four extra cuts if required along with funding an additional cut of the rural verges over and above the standard one cut KCC currently pay us for. This approach ensures the appearance of the district is in line with our corporate objectives and residents' expectations. In addition, the visibility splays (grass at road junctions in rural areas) are cut on three occasions per year (May, July and September) with no additional cuts funded by FHDC.
- 1.4 FHDC is the only district authority in the county that undertakes the rural highway verge mowing on behalf of KCC Highways, with all other authorities having handed back the service due to the financial constraints associated with undertaking the work (i.e., KCC's benchmark rates were too low for them to consider undertaking the work). KCC subsequently manage the rural verge mowing via their own contractors in all other districts.
- 1.5 Only three local authority areas within the county now undertake urban verge mowing (inner 30mph verges) on behalf of KCC highways (Folkestone and Hythe, Dover and Ashford) with all other local authorities having already handed the service back to KCC for the reasons given above.
- 1.6 It should be noted that a number of areas are maintained to a higher standard by FHDC teams to enhance the appearance of the district. An example of this is the station roundabout in Folkestone where it is planted twice a year with annual bedding displays. FHDC fund this work and if these areas were handed back to KCC they would likely be returned to grass.

2. FOLKESTONE & HYTHE DISTRICT COUNCIL - CURRENT DELIVERY POSITION.

- 2.1 FHDC employs 5 operatives (one Head Gardener, three Gardeners and one seasonal operative) within two teams based in Folkestone and New Romney to mow the highway verges, and undertake other KCC contracted work. The Folkestone operatives spend 100% of their time on KCC work, whilst the New

Romney team spend 75% of their time on KCC work and 25% on other FHDC work.

- 2.2 In addition to the 'in house' staffing resource, FHDC also contracts out various elements of the KCC verge mowing work, namely the rural verge mowing (swathe and visibility cuts) and some of the difficult to maintain urban grass cutting areas.
- 2.3 The resource listed above enables us to currently maintain the 342,600m² of grass, shrubs and hedges which belong to KCC within the Folkestone & Hythe district.

3 FINANCIAL INFORMATION

3.1 The information below demonstrates the current breakdown of the KCC grass cutting service and the saving that could be generated from handing back this service.

3.2 The 2023/24 income from KCC:

Rural swathe cuts and visibility cuts is	-£35,250
Urban verge mowing*	-£65,904
TOTAL	-£101,154

* broken down as follows: maintenance of urban highway verges (£55,524), annual shrub beds/rose bed maintenance (£8,001) and urban hedge cutting (£2,379).

3.3 FHDC Staffing costs (2023/24 salary including on costs) associated with KCC work:

Folkestone Crew (100% of time on KCC work)

1 x Head Gardener	£33,000 (Currently vacant)
2 x Gardeners	£56,200

Sub Total £89,200

New Romney/Marsh Crew (This crew spend 75% on KCC and 25% on FHDC other)

1 x Gardener	£28,100
1 x Seasonal	£12,000

Sub Total (75% of time) £30,075

Total Staffing Cost £119,275

3.4 In addition, FHDC contract out the following works:

2 x Swathe cut £34,400 per annum.

3 x Visibility cut £4,500 per annum.
3 x Urban cut £12,000 per annum. *(This is a cost to the urban cutting contract not the rural)*

Total paid to contractor = £50,900

Overall staffing and sub-contractor costs **£170,175**

3.5 Total net cost to FHDC to carry out service is £69,021

3.6 Other costs to be considered as part of the overall saving (note this may not all be realised as a direct saving):

- Vehicles x 2 (saving would be 1 vehicle)
- Ride on mowers x 2 (saving would be 1 mower)
- Hand machinery and equipment
- Fuel £10,000 per annum
- Vehicle and machinery Servicing and maintenance £3,000
- Uniforms, PPE etc £1,000
- Contract management £11,765 (this saving would not be realised)

Estimated additional saving realised : £15,000.

Overall Savings total £84,012

3.7 During 24/25 officers will be undertaking a review of how the grounds maintenance service is structured with a view to delivering a more efficient service. A further aim of this review is to reduce the reliance on seasonal employees and have a more stable permanent workforce. This may lead to additional savings.

4. KENT COUNTY COUNCIL'S CURRENT POSITION

4.1 Conversations have taken place with KCC and there are a number of issues that need to be navigated. The ability for KCC to vary their existing GM contracts (should KCC grass cutting be handed back) is difficult due to size and location of works and the employment transfer implications regarding TUPE regulations. This would then require KCC to go out to procurement to ensure continuation of service. The process will take a prolonged period of time and as such there is a high risk the grass cutting provision will not be in place for April 2024. KCC have asked that any member decision on this service is deferred to allow more time for a planned transition.

4.2 Officers from FHDC and KCC have been continuing discussions to ensure any service change is carefully considered and planned. FHDC have also approached KCC to establish whether any further budget is available if FHDC Members were minded to defer handing back the service for a period of 12 months.

5 OPTIONS

5.1 Six options are presented for consideration within the report:

Option 1: Continue to maintain all KCC Highways grass in the District.

Option 2: Continue to maintain all urban grass verges (inner 30mph areas) but hand back the rural verge mowing to KCC Highways.

Option 2a: Continue providing both the urban and rural maintenance service to KCC but reduce the rural swathe cut to the required KCC frequency of 1 rather than the 2 cuts that FHDC currently provide.

Option 3: Cease cutting all KCC Highways grass within the District and hand the service back to KCC.

Option 4: Hand back all of the KCC highways work in the District, but retain some key high profile elements, to maintain the appearance of the district in line with our corporate objectives

Option 5: Deferment of a decision with further consideration to be given to handing back the KCC contract in 12 months for the 25/26 financial year.

6. IMPLICATIONS AND RISKS

The Reputational, Operational and Financial implications/risks of the six options are outlined below.

6.1 Option 1: Continue to maintain all KCC Highways grass in the District.

1. *Reputational:* No impact; grass is maintained to current standard and customer expectations are met and maintained.
2. *Operational:* No implications; operational set up remains the same.
3. *Financial:* Significant financial implications; funding gap from KCC with additional costs to be met from FHDC funds. Therefore the total approximate net cost to FHDC of carrying on the service to current standards is **£84,012** per annum (based on 23/24 figures).

6.2 Option 2: Continue to maintain all urban grass verges (inner 30mph areas) but hand back the rural verge mowing to KCC Highways.

1. *Reputational:* Moderate impact; highways grass around district will still be cut 6 times per year for KCC, with up to an additional four cuts provided by FHDC – Standards remain unchanged within inner 30mph areas. Rural grass verges would be handed back to KCC and cut by their preferred contractor at their agreed intervals, which would result in the rural verges receiving only one cut per year as opposed to the current two cuts.
2. *Operational:* There will be no significant operational impact; The urban verges would still be cut by the same teams and to the same standard. Our in-house teams are not involved with the rural verge mowing.

3. *Financial:* this option would provide a net saving of £3,650.
- 6.3 **Option 2a: Continue providing both the urban and rural maintenance service to KCC but reduce the rural swathe cut to the required KCC frequency of 1 rather than the 2 cuts that FHDC currently provide.**
1. *Reputational:* Moderate impact; highways grass around district will still be cut 6 times per year for KCC, with up to an additional four cuts provided by FHDC – Standards remain unchanged within inner 30mph areas. Rural grass verges would be reduced to 1 cut as required by KCC at their agreed intervals, which would result in a reduction of the second cut.
 2. *Operational:* There will be no significant operational impact; The urban verges would still be cut by the same teams and to the same standard. The rural cut is undertaken by the Council's external contractor.
 3. *Financial:* this option would provide a net saving of £17,500.
- 6.4 **Option 3: Cease cutting KCC Highways grass in the district and hand the service back to KCC.**
1. *Reputational:* High impact; The grass cutting service would revert back to the standard KCC frequency with no additional cuts. The service would then be delivered by an external KCC contractor who would potentially lack the local knowledge currently with the in-house FHDC operatives (should they not transfer) which could lead to issues such as accidentally cutting areas where bulbs are planted etc. This will lead to a high number of customer complaints and poor appearance to the district.
 2. *Operational:* There will be a significant operational impact; the grass cutting teams would need to be restructured across the district to take into account not cutting KCC grass, but ensuring there are enough resources in place to maintain the FHDC owned areas especially in the Romney Marsh area.
 3. *Financial:* Taking in account expenditure as outlined in Section 3, the net saving would be in the region of **£84,012**. Further work would need to be undertaken on this if this was the approved course of action.
- 6.5 **Option 4: Hand back all of the KCC highways work in the district but retain some key high profile elements to maintain the appearance of the district in line with our corporate objectives.**
1. *Reputational:* Moderate impact; highways grass around district will still be cut 6 times per year by KCC. FHDC would retain some maintenance responsibility to help maintain the standard of the district in the high-profile areas.
 2. *Operational:* There will be a significant operational impact; the grass cutting teams would need to be restructured across the district to take into account not cutting the majority KCC grass and only the select areas.

- 3 *Financial:* Taking into account the staff costs in point 3.3 £119,275 and additional expenditure in 3.4 and the loss of -£101,154 income, the net saving could still be in the region of **£84,012**. Further work would need to be undertaken to see if this approach can be absorbed by the existing team and factored into the upcoming GM service review as explained in para 3.7. additional budget may need to be made available depending on the number/size of areas to be retained.

6.6 Option 5: Deferral of a decision with further consideration to be given to handing back the KCC contract in 12 months for the 25/26 financial year.

1. *Reputational:* Moderate/Low. Contract could be undertaken by FHDC for another year and handed back to KCC who would have time to procure a new contractor. This approach would also enable a considered transition to help minimise the impact.
2. *Operational:* Moderate/Low. Contract could be undertaken by FHDC for another year and handed back to KCC. This would allow a slower handover and reduce operational impact and allow time to restructure pending the preferred option 2, 2a, 3 or 4. This option would also allow time to have a good communications plan developed to mitigate the public perception.
3. *Financial:* Taking in account the eventual option chosen for the financial year 25/26 the net saving would range from £3,650 to £84,012. Any saving would be realised in the 25/26 year rather than 24/25.

6.7 The financial implications of each option are shown in the table below:

Income KCC		Option 1	Option 2	Option2a	Option 3	Option 4
Rural	£ 35,250.00	£ 35,250.00		£ 35,250.00	£ -	£ -
Urban	£ 65,904.00	£ 65,904.00	£ 65,904.00	£ 65,904.00	£ -	£ -
Total Cost	£ 101,154.00	£ 101,154.00	£ 65,904.00	£ 101,154.00	£ -	£ -
Expenditure						
Folkestone Crew	£ 89,200.00	£ 89,200.00	£ 89,200.00	£ 89,200.00	£ -	£ -
New Romney Crew	£ 30,075.00	£ 30,075.00	£ 30,075.00	£ 30,075.00	£ -	£ -
Contract out						
Swathe 1	£ 17,200.00	£ 17,200.00	£ -	£ 17,200.00	£ -	£ -
Swathe 2	£ 17,200.00	£ 17,200.00	£ -	£ -	£ -	£ -
Vis Cuts	£ 4,500.00	£ 4,500.00	£ -	£ 4,500.00	£ -	£ -
Urban Cut	£ 12,000.00	£ 12,000.00	£ 12,000.00	£ 12,000.00	£ -	£ 25,000.00
FHDC Cost	£ 69,021.00	£ 69,021.00	£ 65,371.00	£ 51,821.00	£ -	£ 25,000.00
Est. Additional Cost items	£ 15,000.00	£ 15,000.00	£ 15,000.00	£ 15,000.00	£ -	£ -
Total Cost to Folkestone	£ 84,021.00	£ 84,021.00	£ 80,371.00	£ 66,821.00	£ -	£ 25,000.00
Saving to FHDC			£ 3,650.00	£ 17,200.00	£ 84,021.00	£ 59,021.00
<i>To Note Option 5 is a variant of all options above so could generate saving from £3,650-£84,021</i>						

- 6.8 The risks outlined in this section will be minimised by Cabinet approving Option 5 which is to defer the decision for a period of 12 months providing time for FHDC Officers to work with KCC colleagues to hand the service back and for KCC to have adequate time to procure a new service provider.
- 6.9 It is further recommended that Cabinet also approve Option 2a which reduces the rural swathe cut to the KCC required frequency of 1 rather than the 2 cuts that FHDC provide currently for our residents. This will deliver a saving for the 24/25 budget of £17,200.
- 6.10 If option 5 and option 2a are approved by cabinet further consideration will need to be given to option 4 if members are minded to retain some of the higher profile areas of the district which will need to be maintained at FHDC expense.

7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 Legal Officer's Comments (NM)

Legal has not had sight of the service level agreement with KCC but the termination provisions in the SLA will need to be adhered to i.e., we understand that 6 months' notice will need to be served on KCC to terminate the SLA. If a decision is made to go with option 3 (cease cutting all KCC grass in the district and hand the service back to KCC) then this may have employment and TUPE implications and external legal advice may need to be sought in this regard.

7.2 Finance Officer's Comments (RH)

This report has been compiled with assistance from financial services. All financial implications are shown within the body of the report.

7.3 Diversities and Equalities Implications (AB)

There are no diversity or equalities implications arising from this report.

7.4 Climate Change Implications (OF)

It has not been possible to assess the climate implications as this will depend on a number of factors such as what option was chosen, what equipment was being used etc. In addition, the report also mentions that some elements of the grass cutting are contracted out which might have implications on the distance travelled. Overall, the climate implications will need to be assessed as applicable when a decision has been made.

- 7.5 **Resources (AS)** – Depending upon the preferred option, there could be an impact on the number of staff required within the Grounds Maintenance teams leading either to redundancies or a potential TUPE situation. Should this be the case, the HR team will work closely with relevant managers to ensure that Managing Organisational Change procedures and employment law are followed appropriately. The option to defer the decision (option 5), if agreed, would provide a longer time period in order to adequately manage

any TUPE transfer and potentially reduce any redundancy risks either by the TUPE option or by natural wastage within the Grounds Maintenance team throughout the 2024/25 financial year.

8. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

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The following background documents have been relied upon in the preparation of this report:

None.

Appendices:

None.